



# COVID-19 Economic Cost to the Arab Region

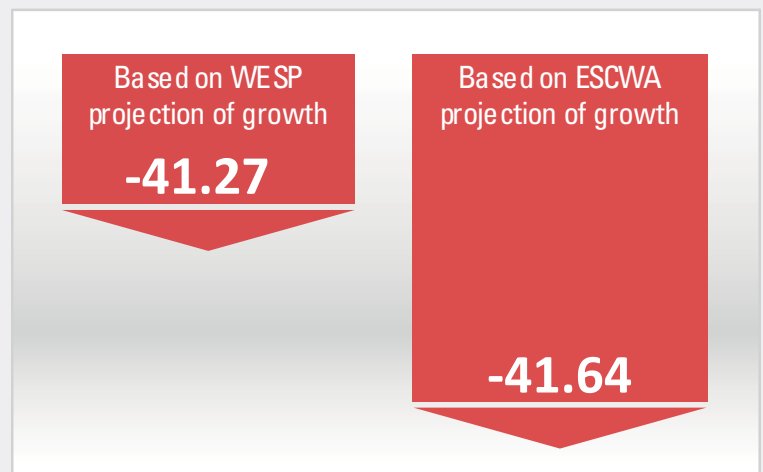
**Global growth rates are expected to be dramatically low and the world economy is on the verge of a recession.** Given this context, the Economic and Social Commission for Western Asia (ESCWA) has made an initial assessment of the cost of Corona in the Arab region.

## Impact Assessment

**1** As per an initial estimate of the impact of the Corona pandemic in 2020, the region would lose at least \$42 billion (figure 1). As the virus contagion spreads to the European Union (EU), the United States of America (USA) and major economies, and with the compounding effect of low oil prices, the losses in income could escalate.

**Abbreviation:** WESP, World Economic Situation and Prospects

Figure 1. Expected loss of gross domestic product (GDP) in the Arab region, 2020, \$ billion



Governments across the region and around the world have implemented measures to fight the Corona pandemic, such as: closing malls, parks, schools and universities; closing restaurants and cafes; suspending workplace attendance; shutting down enclosed prayer places, airports, and ports; and restricting travel.

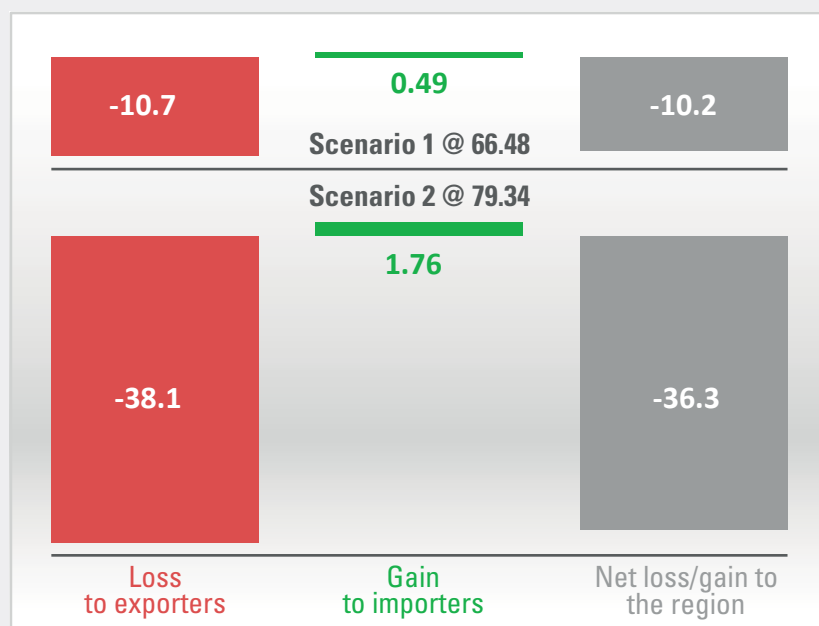
**The longer these measures are imposed, the heavier will the economic cost be.**

**2** **The impact of Corona has led to a continuing decline in oil prices, which, compounded by an oil price war, has lost the region nearly \$11 billion in net oil revenues from January to mid-March 2020.** At the prevailing oil prices, the region loses nearly \$550 million every day, and the gains of oil importers within the region are negligible compared with the losses of oil exporters (figure 2).

**Note:** Scenario 1 refers to the loss of revenues based on difference in prices between December 2019 (@66.48) and price in mid-March (@35.71). Scenario 2 refers to loss of revenues based on the difference between projected higher oil price (@79.34) and price in mid-March (@35.71).

**3** **Between January and mid-March 2020, businesses in the region lost a massive \$420 billion in market capital.** The consequent loss of wealth is equivalent to 8 percent of the total regional wealth.

**Figure 2. Loss of oil revenues for the Arab region**  
(Estimates for January to mid-March 2020, \$ billion)  
**Scenarios**



**4** **The region would lose at least 1.7 million jobs in 2020.** The unemployment rate would increase by 1.2 percentage point, which translates to the loss of about 1.7 million jobs. Unlike the global financial crisis, due to “social distancing”, the impact of the Corona pandemic is damaging employment across all sectors, especially the services sector. Globally, service sector activities are reduced by 50 percent. With the service sector being the main employment provider in the Arab region, the adverse impact on its activities will result in significant job losses.

## Policy Suggestions

The Corona virus pandemic has extraordinary economic and social implications for people and businesses across sectors. Several countries in the region have provided stimulus packages to support citizens and strengthen businesses in the fight against the downward spiral. For example, the United Arab Emirates announced a \$27bn stimulus plan to boost the economy, including subsidies to water and electricity for citizens and commercial and industrial activities; Egypt unveiled a “comprehensive” plan costing \$6 billion to combat the fast-spreading virus and support economic growth; Qatar announced a \$23 billion stimulus package to seal the economy, and support and provide financial and economic incentives to the private sector; and Saudi Arabia announced a \$13 billion stimulus package to support businesses and extend finance to small and medium enterprises (SMEs).

**With the increased social and economic distress, policy solutions by governments in the region need to aim for fast recovery with swift measures based on a comprehensive and inclusive approach that leaves no one behind:**

**1**

From an economic perspective, Arab governments need to take coordinated and coherent measures at the macro and micro levels.

**2**

Central banks need to enhance liquidity and ease key financial stresses in the economy.

**3**

Government fiscal policy needs to be targeted towards:

- supporting businesses through tax exemptions, wage subsidies, deferment of debt obligations, and support to SMEs;
- enhancing social protection through augmented social protection schemes for the poor and vulnerable; creating unemployment funds and expanding beneficiaries of existing ones; and deferment of individual loans, income tax and government fees;
- boosting demand and job creation through increased government spending and procurement, especially expenditure on healthcare programmes and emergency response systems.

**4**

Regional development financial institutions, along with multilateral financial institutions, need to consider debt deferral and debt reduction mechanisms to enhance fiscal space for middle- and low-income countries in the region to address the impact of COVID-19.

**5**

Multilateral organizations need to consider debt swaps and other debt reduction instruments for enhancing social investments to address the impact of COVID-19

**6**

Multilateral organizations and international financial institutions need to consider increasing grants and technical support to vulnerable countries, including the least developed countries (LDCs), that are confronted with fiscal pressures.



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